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CAPITOL HILL AND JAPAN: KEY ISSUES, PLAYERS IN AN ELECTION YEAR

SUMMARY

Trade is one of the pressing issues bound to be highlighted as the 1992 presidential campaign and local elections seek to draw distinctions between Democratic and Republican candidates. This country's hefty $42 billion-plus deficit with Japan makes it the most obvious target of the trade debate. The bilateral imbalance not only provides a target for congressional Democrats opposed to the Bush administration's Japan trade policies but also leads legislators from both parties to press for ways to shore up slipping U.S. economic leadership.

Several unknowns could factor into Capitol Hill's trade agenda this year, including the length of the recession and the outcome of multilateral trade negotiations underway in Geneva. Concern about this country's long-term competitiveness and economic stability is a major motivator compelling many in Congress to pursue initiatives intended to resolve broader U.S. trade and competitiveness problems.

Among the readily identifiable trade leaders on Capitol Hill are a number of lawmakers particularly active on the U.S.-Japan trade front. Just as the arena for addressing Japan-related issues extends beyond the congressional committees with jurisdiction over trade, the individuals who are behind such initiatives often approach the subject from diverse backgrounds and with very different objectives and concerns.

Congress in an Election Year

As the second session of the 102nd Congress begins legislators have before them a number of pressing issues, many of which are magnified in timeliness by the upcoming congressional and presidential elections. Congressional Democrats are expected to brandish what they see as an advantage on domestic policy over their Republican counterparts and the Bush administration by pushing such issues as aid for long-term unemployed Americans and improvements to this country's health care system. Both Senate Majority Leader George Mitchell (D, Maine) and Speaker of the House Thomas Foley (D, Wash.) in mid-January outlined a Democratic agenda for this session that

includes a national economic recovery package. Republicans generally are backing the economic recovery plan President Bush outlined in his State of the Union address, urging steps toward many of the same goals, but from a different perspective.

With elections just nine months away lawmakers face new pressures to find solutions to national problems. Growing public disillusionment with Congress is adding to legislators' unease this year. An October 1991 *New York Times*/CBS News Poll — conducted shortly after it was revealed that numerous members of Congress had overdrawn their personal accounts deposited in a House-affiliated bank — indicated that 57 percent of the respondents disapproved of the way Congress was handling its job; by late January *New York Times*/CBS pollsters found that this figure had jumped to 71 percent.[1]

Some political analysts point out that public opinion of Congress is fickle and that this response does not necessarily indicate that voters will replace their own representatives; 56 percent of those polled last October said they approved of their representative's performance in Congress. Yet the check-bouncing incident and other Capitol Hill embarrassments have increased the electorate's skepticism. Some observers contend that constituents are more likely to extend their criticism of Capitol Hill to their own representative than they were a year ago. An October 1991 ABC News poll found that only 31 percent of those surveyed were inclined to reelect their incumbent. Moreover, congressional redistricting has shifted many House members' constituencies, making their seats less secure than in previous elections.

The Economy as an Issue

Many variables will weigh into the upcoming congressional and presidential elections, but the state of the U.S. economy in the months before November — currently a key concern for voters — is believed to be the most critical factor. In a *New York Times*/CBS News Poll conducted around the time of President Bush's early January trip to Japan, respondents overwhelmingly cited the economy as the most important problem facing the United States; 81 percent of those polled described the state of the U.S. economy as either "very bad or fairly bad," a marked increase from the number of respondents who chose this description last November.[2]

In uncertain economic times voters generally are more inclined to see their jobs as jeopardized by imports and more likely to favor protectionist arguments, political analysts report. Even when economic problems here ease, voters are likely to remain wary as potentially job-displacing imports once more start increasing. Both congressional and presidential candidates will need to address public concerns about the causes of America's trade and competitiveness problems and then come up with solutions. Certain to dominate this discussion will be Japan, with which the United States had roughly a $42 billion trade deficit last year.

Both politicians and pollsters note that the American public has mixed feelings about this country's trade problems with Japan. (For more on American attitudes toward U.S.-Japan relations, see *JEI Report* No. 31A, August 16, 1991.) A 1991 survey by the Chicago Council on Foreign Relations found that 60 percent of the public saw Japan's economic power as a critical threat to the United States in the next decade. Other polls have revealed similar worries. One conducted in November 1991 by *The New York Times*, CBS News and the Tokyo Broadcasting System found that 52 percent of the Americans polled believed that Japan will be the dominant economic power in the next century.

An October 1991 survey commissioned by Potomac Associates and conducted by Opinion Dynamics further delineated American views on relations with Japan. In the poll 58 percent of the respondents characterized Japan as "generally unfair" in its business transactions with the United States.[3] Yet 53 percent of the respondents said they believed that Japanese companies produce

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better quality products than American firms; 77 percent felt that U.S. companies "still have a lot to learn" about selling their goods in foreign markets, and 61 percent said that foreign competition helps keep down the prices paid by American consumers. Moreover, in a poll released last November by the privately funded Council on Competitiveness, 44 percent of the Americans contacted put "a great deal" of the blame for U.S. competitiveness problems on their own government.[4]

Respondents in the Potomac Associates poll were split 41 percent to 39 percent on whether restricting the availability of foreign products through tariffs or quotas would help or hurt their standard of living. Yet a survey commissioned by the big New York City-based advertising firm Saatchi & Saatchi revealed tough attitudes toward imports of Japanese products; in survey results released last September almost 60 percent of the respondents indicated that they would support legislation significantly restricting imports of made-in-Japan products.[5]

American views on Japanese direct investment in this country seem to be similarly scattered. The Potomac Associates poll found overall support for Japanese direct investment here but concern about investment in specific sectors, including real estate and the financial sector. The November *New York Times*/CBS News poll, in contrast, found that 62 percent of the Americans surveyed believed Japanese investment in the United States threatened U.S. economic independence. Additionally, about 60 percent of the respondents in the Saatchi & Saatchi study said they would favor legislation banning Japanese purchases of American farmland, landmark real estate, large American companies and major U.S. newspapers.

William Watts, president of Potomac Associates, concludes that the October survey indicates that, while Americans recognize there are problems at home, they are willing to accept some of the responsibility. Moreover, he adds, when Americans view Japan, "[T]hey see much that they like, respect, and support. They also see things that give them pause. But that dichotomy is not, as it is often labeled, ambivalence. ... Rather, what we have is a body of opinion that settles on both sides of the ledger, with assets and debits." In a recent interview House Majority Leader Richard Gephardt (D, Mo.) acknowledged this view, pointing out that most Americans reject an "either-or" approach to trade that frames the problem as "being all our fault or all their fault."[6]

While the views of elected officials do not necessarily mirror those of the general public, their actions are likely to be sensitive to constituents' concerns, particularly in an election year. In a December Joint Economic Committee hearing on U.S.-Japan relations, committee vice chairman Rep. Lee Hamilton (D, Ind.) noted, "Any congressman is impressed by the extent to which Japan is on the minds of constituents." His list of what constituents see as problems with Japan included concerns about losing jobs to foreign competition, foreign direct investment in this country, burdensharing, Japan's lack of a forceful role in multilateral trade negotiations, and the bilateral trade deficit.

Congress and the Trade Debate

Both congressional and presidential candidates could face the challenge this year of responding to the public's worries about the U.S. relationship with Japan, a task made more complex because most Americans recognize the two countries' increasing interdependence and the need for finding solutions to many of America's problems right at home. Political analysts note that Republicans and Democrats agree that the United States needs tougher policies to resolve its economic problems; both parties also cite similar objectives in line with boosting U.S. competitiveness. Yet differences on U.S. trade policy are likely to be used to define sides in the 1992 elections.

Several congressional Democrats have escalated their complaints about the White House's trade policy — both overall and with respect to Japan — in recent months, indicating that they hope to make trade an issue with the administration as well as their Republican opponents. *Washington Post* writer Guy Gugliotta notes that there is significant support in Congress for "what could be called an

emerging Democratic consensus on trade," the view that "Republican administrations since 1980 have promoted an ideological policy that elevated 'free trade' to the level of dogma, allowing other nations to run roughshod through the world. Tough trade negotiations, with the threat of retaliation and countermeasures, are the only way to ensure a fair shake."[7]

A number of Democrats on Capitol Hill underscore what they see as a direct connection between President Bush's approach to Japan and his failure to address the difficulties facing the U.S. economy. The president's early January trip to Japan has served as a focal point of such criticism (see *JEI Report* No. 2B, January 17, 1992), but one congressional observer says that by making American jobs the focus of the trip the president essentially dropped U.S. economic problems on Japan's doorstep and broadened membership in the group that respectably could engage in "Japan-bashing."[8] Stanley Roth, staff director of the House Foreign Affairs Committee's subcommittee on Asian and Pacific affairs, characterizes this tranformation of the image of "Japan-bashing" as the biggest negative development in U.S.-Japan relations recently and one that contributes to a much less confident appraisal of the relationship than he would have made three months ago.

The Bush trip, Mr. Roth concludes, put the trade issue at the heart of the 1992 campaign early on. Criticisms of Japan's trade practices heard during the trip will be far more likely to dominate Congress than alternative views; election year politics will make it harder "to fend off those who want to attack the relationship," he says. Mr. Roth notes that Congress also may react "viscerally and vehemently" to the criticism of the United States increasingly voiced in Japan.

Many congressional observers concur that Capitol Hill is likely to engage in a tough trade debate this year, and they are skeptical that the discussion will rise above partisan politics or the concerns of certain constituent industries. Most also agree, however, that although there will be a great deal of rhetoric and a possible flurry of tough trade bills, especially Japan-targeted ones, few of these measures are likely to pass. Several key trade questions will be on Capitol Hill's agenda this session, and the outcome of these issues could play into how legislators proceed on Japan-related measures.

The Uruguay Round - The Bush administration long has emphasized the importance of successfully completing the Uruguay Round of trade liberalization negotiations under the General Agreement on Tariffs and Trade. For the most part the promise of stronger, more encompassing international trade rules has kept congressional protectionist initiatives at bay. Yet as a final agreement in the eighth round of multilateral trade talks continues to elude negotiators, trade analysts are becoming increasingly worried that failure in Geneva could propel Capitol Hill into action against what are perceived as foreign unfair trade practices. The weighty U.S. trade deficit with Japan and criticism by some in Congress that Tokyo has not taken a leadership role in the Uruguay Round increase the prospects that Japan-targeted measures will be revived or newly drafted if the multilateral talks break down.

If an agreement is reached in Geneva the White House will have to send the package of measures and the necessary implementing legislation to Congress for approval. Last spring President Bush secured an extension of special procedures for congressional consideration of international trade pacts; the fast-track proviso expedites congressional action and prohibits any changes to multilateral agreements (see *JEI Report* No. 21B, June 7, 1991). Given these restrictions on congressional input, Washington observers speculate that lawmakers opposed to certain parts of the package — farm state representatives against reductions in farm subsidies, for example — may try to block its approval.

Samuel Gilston, editor and publisher of *Washington Tariff and Trade Letter*, expects that when Congress considers implementing legislation for the Uruguay Round package legislators will question the agreement's impact on this country's largest trade problems, including those with Japan.[9] Mr. Gilston notes that the "Draft Final Act" for the round, crafted by GATT's director general and released in late December, contains some provisions that might be useful in countering U.S.-Japan trade

problems. Yet some in Congress are wary that the Bush administration will make concessions on key provisions of existing U.S. trade law — such as antidumping rules or Section 301 of the 1974 Trade Act, which addresses unfair foreign trade barriers — to secure a multilateral trade agreement.

This fear was reflected in an early January letter from Sen. Max Baucus (D, Mont.) to U.S. Trade Representative Carla Hills in which he outlined his concerns about the draft agreement, including his perception that "the Uruguay Round does little to address many of the Japanese trade practices that we have struggled for years to address with Section 301 of the U.S. trade law." He added, "Since these trade practices — such as collusion by Japanese *keiretsu* — lie outside the GATT, restrictions on the ability of the U.S. to counter these practices" using the basic retaliatory authority provided under Section 301 "could pose a serious problem."[10] Mr. Baucus, who serves as the chairman of the subcommittee on international trade of the Senate Committee on Finance, has said that the text as currently drafted would not receive strong congressional support.

Sen. Baucus has predicted that Congress will consider "one major trade bill" this year, indicating that implementing legislation for the Uruguay Round could be the vehicle. *Washington Tariff and Trade Letter*'s Mr. Gilston speculates that it is too late to generate a broad, separate trade bill this year. Most congressional observers concur that it is unlikely Congress would find time for a major trade bill this session.

North American Free Trade Agreement - Much of the debate last spring regarding extension of fast-track procedures for international trade agreements centered on the Bush administration's plan to initiate trade talks to bring Mexico into the existing free trade arrangement with Canada (see *JEI Report* No. 39A, October 18, 1991). Negotiations for the North American Free Trade Agreement, which formally started last fall, may wrap up as early as April. Under this scenario the accord could be ready for a congressional vote in early July. U.S. trade officials say President Bush is anxious to submit the proposed agreement to Capitol Hill, where he believes it will be approved.

Yet political analysts argue that NAFTA would provide fuel for a heated trade debate in Congress, a risk they doubt the administration will take in 1992. Senate trade leaders Lloyd Bentsen (D, Texas) and Baucus reportedly have advised the White House that it would be a mistake to present the pact to Capitol Hill this year. Other congressional observers doubt that NAFTA can be completed in time to bring it to a vote in Congress before the session adjourns, currently targeted for early October.

Debate over both the Uruguay Round and NAFTA could offer opportunities this session for Congress to challenge the Bush administration's trade policies as well as to address concerns about U.S.-Japan trade relations. As in the past, however, some in the 102nd Congress already have taken the more direct route of introducing legislation aimed specifically at resolving bilateral trade problems.

Trade Initiatives Focusing on Japan

Among the Japan-related measures to receive significant attention early this session is one of the newest. The Trade Enhancement Act of 1992 is "designed to increase American exports to Japan, and eliminate anticompetitive practices by the Japanese in our market," according to House Majority Leader Gephardt, who formally introduced the bill January 22. Sen. Donald Riegle (D, Mich.) introduced the Senate version the same day. Among the bill's provisions is a requirement that Japan reduce its 1991 trade imbalance with the United States by 20 percent a year for the next five years. If Tokyo fails to meet this target the White House would be forced to cap U.S. sales of domestically made and imported Japanese vehicles in 1992 at what the bill's sponsors estimate is last year's level of 3.8 million units and lower that ceiling every subsequent year that Japan misses the target (see *JEI Report* No. 2B, January 17, 1992).

Chrysler Corp. head Lee Iacocca, one of the Big Three chairmen who accompanied President Bush to Japan, cited the bill as an indication of what Congress is prepared to do to address the U.S.

automotive shortfall with Japan. The bill was cosponsored by a long lineup of automotive state legislators and other colleagues. Yet some on Capitol Hill predict it will be difficult to pass a measure so distinctly linked to aiding Detroit. The initiative is even more unlikely to get the nod from the Bush administration; USTR Hills has criticized the measure for focusing too much on reaching a bilateral balance rather than removing barriers in Japan to American exports.

One observer notes that, although Rep. Gephardt admits the legislation is primarily an automotive industry bill, "he would also like it to serve as a means to debate larger matters — the need to eliminate unfair trade practices, the importance of creating a U.S. industrial strategy, the need to raise trade to 'the top of the national agenda.'"[11]

Super 301 Renewal - Rep. Gephardt and others in Congress also are likely this session to push for a renewal of the Super 301 provision of the 1988 trade act. That provision — which covered 1989 and 1990 only — required the executive branch to identify priority countries for market access talks and authorized the White House to retaliate if negotiations with targeted countries did not result in an agreement to eliminate the cited trade barriers. Last November Reps. Gephardt and Sander Levin (D, Mich.) introduced the Market Opportunity and Reciprocal Enforcement Act of 1991, which would extend and strengthen the Super 301 provision (see *JEI Report* No. 46B, December 13, 1991). The Gephardt measure would make the provision permanent and establish more stringent criteria for identifying priority countries and unfair trade practices.

Some points in the Gephardt-Levin bill are similar to those in the Fair Trade and Export Expansion Act of 1991, introduced early last year by Rep. Levin and Sen. Carl Levin (D, Mich.). The House Energy and Commerce Committee in late November approved a version of that bill that would allow the executive branch more discretion than the original measure (see *JEI Report* No. 43B, November 15, 1991). The House Ways and Means Committee now must consider the legislation. Sens. Baucus and John Danforth (R, Mo.) last October introduced a bill that would extend Super 301 through 1997. Senate observers believe that there could be a great deal of support in that chamber for a Super 301 extension.

Trade in Financial Services - Early this session lawmakers are expected to renew their efforts to reauthorize the expired Defense Production Act, which gives the president authority to procure military supplies during emergencies and to promote the production of strategic materials and technologies. At the end of the first session last fall a measure to reauthorize DPA for three years stalled at the conference committee level because of a number of outstanding issues. Among these was a provision in the Senate DPA version that is intended to improve the overseas business climate for American banks and securities firms by authorizing reciprocal treatment for foreign financial firms operating in the United States.

Lawmakers seem close to resolving their differences on the Fair Trade in Financial Services provision; the measure is likely to be included in some form in the DPA reauthorization, congressional staffers say. The financial services provision also has been offered as a stand-alone bill. Rep. Charles Schumer (D, N.Y.) reportedly will continue to push his version of the measure, introduced last October (see *JEI Report* No. 40B, October 25, 1991).

Foreign Direct Investment — Late last December the White House issued a foreign investment policy statement, the first since 1983; the statement reaffirmed the administration's support for an open foreign investment policy based on the principle of national treatment. Many on Capitol Hill, however, continue to express reservations about certain types of foreign direct investment in this country. Some lawmakers have proposed changes to strengthen the Exon-Florio provision of the 1988 trade act, which gives the president authority to bar foreign takeovers on national security grounds.

One such measure, the Technology Preservation Act of 1991, is designed to compel closer administration scrutiny of foreign purchases of U.S. firms with critical technologies (see *JEI Report*

No. 46B, December 13, 1991). Last November the House Energy and Commerce Committee approved the measure, which also has been referred to the Committees on Banking and Foreign Affairs. Although the Technology Preservation Act has the backing of House Majority Leader Gephardt, Sen. James Exon (D, Neb.) says the problem is not with the provision he helped author but with the White House, which must use the authority provided by the Exon-Florio provision "more forcefully and more frequently."

Burdensharing - The disintegration of the Soviet Union has precipitated another reexamination of U.S. defense spending; the administration's proposed FY 1993 budget, released in late January, calls for the lowest budget authority for defense since FY 1984. Yet while revised priorities have led to reductions in this country's defense spending, Washington may boost its expectations of what U.S. allies should do to share international defense and political burdens. Mr. Roth of the House's Asian and Pacific affairs subcommittee notes that Congress may expect Japan to assume a large share of the costs related to Cambodia's reconstruction, aid for the former Soviet Union and the multibillion-dollar superconducting supercollider in Texas.[12]

Forums for Considering Japan and Trade Issues

Congress has assumed a higher profile on trade issues in recent years. Since the mid-1980s the White House has been under increasing pressure from Capitol Hill to toughen its trade policies. Moreover, some political analysts believe that the 1991 debate over fast-track renewal for international trade talks marked a new level of congressional involvement in determining U.S. trade negotiating priorities.

The White House often uses the threat of congressional action to strengthen a U.S. trade negotiating position. As in other areas, though, the interplay between the executive and the legislative branches can be used to the advantage of both. Yet lawmakers must respond to constituent concerns, and in the trade arena this often translates into a push for measurable responses to very specific problems. Some legislators have achieved a high profile on trade issues because of their fight for constituent industry interests.

Key Committees - Two congressional committees take the lead on international trade legislation: the Senate Committee on Finance, chaired by Mr. Bentsen, and the House Committee on Ways and Means, chaired by Dan Rostenkowski (D, Ill.). The chairmanship of these committees puts both legislators in powerful positions on trade issues. Although Rep. Rostenkowski played a key role in shaping the 1988 trade act, the trade agenda of the Ways and Means Committee often is set by Rep. Sam Gibbons (D, Fla.), chairman of the subcommittee on trade.

Some Washington observers point out that House Energy and Commerce Committee chairman John Dingell's (D, Mich.) drive to expand his panel's purview has pitted this committee against Ways and Means in a contest for jurisdiction over trade legislation. Rep. Dingell, considered a key congressional advocate for the U.S. automotive industry, promotes retaliation against the alleged unfair trade practices of U.S. competitors and has supported U.S. import restrictions on products ranging from cars and steel to shoes. Washington analysts note that such legislation is more likely to be reported from his committee than from Rep. Gibbons' subcommittee on trade.[13]

Sen. Bentsen's leadership on trade issues was particularly evident throughout the 1988 trade bill's arduous path to enactment. The 1988 vice presidential nominee long has argued that trade should be a higher national priority. Following President Bush's January trip to Japan Sen. Bentsen asserted: "The fact is that trade has always been an afterthought for this administration and the previous one." Recently he has called for a comprehensive national economic strategy, while arguing that "an effective trade policy should be part of any strategy for promoting competitiveness." Washington watchers note that the probusiness Texas Democrat's "occasional protectionist rhetoric ... should blind no one to his innate moderation."[14]

Concern about foreign influence on the U.S. political process led Mr. Bentsen to offer amendments to 1990 and 1991 campaign reform legislation that would have prohibited companies with majority foreign ownership from forming political action committees; although included in the Senate's unsuccessful campaign reform bill in 1990, the Bentsen amendment was replaced by a watered-down provision in the 1991 package.

During last year's debate on extending the fast-track proviso Sen. Bentsen expressed support for both the Uruguay Round negotiations and the proposed free trade pact with Mexico and Canada. However, he joined Reps. Rostenkowski and Gephardt in pressing the White House to address congressional worries about the proposed North American Free Trade Agreement.

The Senate Committee on Commerce, Science and Transportation also handles legislation affecting U.S.-Japan economic relations through its involvement in foreign direct investment issues. The committee chairman, Sen. Ernest Hollings (D, S.C.), argues for tough U.S. trade policies and puts up a strong fight for his state's textile interests. Bills he recently has authored include measures disapproving fast-track consideration for multilateral trade agreements and legislation to strengthen the Foreign Agents Registration Act. Sen. Hollings, whom Washington watchers characterize as difficult to pigeonhole politically, may face a tough reelection bid this year.

Another panel that has taken a close look at U.S.-Japan economic relations is the Joint Economic Committee, currently chaired by Sen. Paul Sarbanes (D, Md.) and Rep. Hamilton. Last December the committee, which has no legislative authority, held hearings to examine U.S.-Japan interdependencies and the changing bilateral relationship. In 1990 the committee held a series of hearings to review the economic challenge this country faces from Japan.

Caucuses - Lawmakers also pursue Japan-related issues through numerous caucuses and task forces on Capitol Hill. The largest of these is the Congressional Competitiveness Caucus. Several legislators head the bicameral group of more than 200 members: Sens. Baucus and John Chafee (R, R.I.) serve as Senate cochairs, while Reps. Marcy Kaptur (D, Ohio) and Jim Kolbe (R, Ariz.) are House cochairs. The purpose of the caucus, originated in the late 1980s to review the challenges facing U.S. trade policy, is to provide a forum for education and discussion rather than to advocate specific legislative action — a task generally deemed too unwieldy for the group.

The bipartisan Export Task Force provides guidance on various international trade issues to its roughly 60 House members. The task force rarely takes a position on an issue; its function is to explain what a bill will do, according to a staffer who works with the caucus. Chaired by Reps. Mel Levine (D, Calif.) and Doug Bereuter (R, Neb.), the Export Task Force expects this session to address the Trade Enhancement Act plus ongoing issues, such as NAFTA and the Uruguay Round.

Observers note that the congressional Auto Parts Task Force has played a major role in keeping the U.S. automotive parts deficit with Japan on the administration's trade agenda. Led by Reps. Kaptur, Levin and Nancy Johnson (R, Conn.), the six-year-old bipartisan group's 30-plus members have monitored bilateral talks concerning the parts industry, including the 1986-87 MOSS (market-oriented sector-selective) negotiations. Issues affecting motor vehicle manufacturers are under the scope of the Congressional Automotive Caucus, chaired by Reps. Bob Traxler (D, Mich.) and Dan Burton (R, Ind.). In late January the caucus proposed legislation intended to give sales of American-made cars a boost by providing tax credits of up to $2,000 to each buyer of a car made in this country.

Legislators with a direct interest in the domestic steel industry are represented by the Congressional Steel Caucus, led by Rep. John Murtha (D, Pa.), and by the Senate Steel Caucus, headed by Sen. John Rockefeller (D, W.Va.). Two major issues expected to be covered by the 93-member Congressional Steel Caucus this session are the Uruguay Round and the multilateral steel accord, also being negotiated in Geneva (see *JEI Report* No. 42B, November 8, 1991); as a major player in both of those talks Japan is likely to be a focus of the caucus's discussions.

Congressional staffers note that less obvious groups also could act on Japan-related issues this session. The Northeast-Midwest Senate Coalition and its congressional counterpart, for example, might explore issues affecting the auto industry in those regions.

Key Congressional Players on Trade

Lawmakers active on trade issues have a variety of objectives. House Majority Leader Gephardt has indicated that the trade and competitiveness bills he has authored are part of his attempt to set the agenda for the next Democratic presidential candidate. When Rep. Gephardt campaigned for this position in 1988 he promoted tougher U.S. trade policies; some observers have labeled him Capitol Hill's primary protectionist. The House Majority Leader has said that he sees articulating the Democratic position and agenda as one of the responsibilities of his position. In the trade arena, Washington watchers note, there is significant backing among Democrats in Congress for Rep. Gephardt's views on trade; yet not all Democrats in the House support his approach to the problem.

The Missouri Democrat argues that "blind ideological adherence to the principle of free trade" by the Reagan and the Bush administrations "handcuffed" the United States. He also contends that the Bush administration does not understand the new realities of the U.S. relationship with Japan. Mr. Gephardt promotes constant pressure on Japan as the only effective means of getting Tokyo to change what he deems are its unfair trade practices. Managing the trade relationship and enforcing reciprocal restrictions are among the steps he believes may be necessary to open Japanese markets. An amendment he had hoped to add to the 1988 trade act would have required Washington to take punitive action against countries that run a persistent trade surplus with the United States. Although the amendment was defeated, it was credited with prompting the Super 301 provision. The major trade measures Rep. Gephardt has introduced in the 102nd Congress indicate that he will continue to influence the trade policy debate on Capitol Hill.

Another Missourian who had a guiding role in the 1988 trade act was Sen. Danforth. Washington analysts note that the senior Republican senator from Missouri generally is viewed as a free trader, although he is responsive to allegations of unfair competition affecting constituent industries, including manufacturers of cars, trucks and shoes. According to one observer, "Trade labels don't easily fit" Sen. Danforth, "whose goals seem to be the restoration of credibility to the international trading system and the prevention of a swing to outright protectionism."[15] He has urged successive administrations to make trade a higher policy priority and to use more aggressively the tools provided by U.S. trade law. In a recent Finance Committee hearing Sen. Danforth argued that the U.S. objective should be enforcement of trade rules rather than protectionism. The legislation he introduced with Sen. Baucus last October to renew the Super 301 provision of the 1988 trade act addresses this goal, the senator said.

In 1990 Sen. Danforth, the ranking minority member on the Finance Committee's subcommittee on international trade, pressed the White House to name Japan on that year's Super 301 list; he characterized the decision that April to drop Japan from the list as "deeply disappointing and a serious tactical mistake." At the same time Mr. Danforth has opposed proposals to tighten restrictions on foreign direct investment in this country. He also has disagreed with Senate colleagues who promote a national economic strategy or industrial policy as the answer to U.S. competitiveness problems.

Another senator critical of the administration's 1990 decision not to target Japan for intensive market-access negotiations was Montana Democrat Baucus, the chairman of the Finance Committee's international trade subcommittee. Montana relies heavily on natural resource exports, and Mr. Baucus has pushed hard to open Japanese and other markets for forest products, beef and other agricultural and industrial inputs. Although in his work on Capitol Hill Mr. Baucus is generally supportive of Montana's strong pro-union interests (see Appendix), observers note that the Montana Democrat for the most part has rejected overly protectionist measures, which many unions promote.

Political analysts point out that Sen. Baucus has achieved a solid position in the Senate in a relatively short time. Some note that Sen. Bentsen's increased involvement in issues outside the Finance Committee has allowed Sen. Baucus to strengthen and expand the trade subcommittee's role. Mr. Baucus asserts that "free trade must be a two-way street." He has argued for domestic solutions to U.S. competitiveness problems, but he also is critical of Japanese barriers to trade. In a letter timed to President Bush's Japan trip the Montana Democrat cited *keiretsu* relationships and their role in "blocking American exports in vital sectors" as the single most important issue to be discussed in Tokyo.

Sen. Baucus also has argued that passing legislation to ensure vigorous enforcement of U.S. trade agreements "should be the highest priority of U.S. trade policy." He advocates his Trade Agreements Compliance Act as a means of ensuring that U.S. trading partners do not take advantage of this country. Mr. Baucus has indicated that he will oppose passage of implementing legislation for any Uruguay Round agreement unless the package includes the trade enforcement measure and language to renew the Super 301 provision.

Many on Capitol Hill are concerned about the health of the American automotive industry and the $30.4 billion deficit in automotive products this country ran with Japan in 1990. Few are as anxious about the automotive deficit as those who represent the home states of U.S. motor vehicle and automotive parts manufacturers. One of the toughest critics of policies he believes contribute to this problem is Sen. Riegle. In an early January speech announcing the addition of a U.S./Japan fair trade index to the monthly trade alert he has published since 1985, Mr. Riegle asserted: "By maintaining closed markets at home that block U.S. exports and using import dumping strategies and anticompetitive *keiretsu* practices here in America Japan is steadily destroying a larger and larger part of the U.S. industrial base."

Late last year Sen. Riegle cited "the continuing trade invasion by Japan" as "the central part of our economic problems and the continuing loss of American jobs." The Michigan Democrat admits that this country has made mistakes. He suggests that a long-term competitive strategy to resolve its difficulties should include large-scale investment in research and development as well as in the manufacturing base and the American work force. In addition to government policies to support these efforts, he stresses the need to secure the commitment of the American private sector to contribute to these goals.

Sen. Riegle is said to have one of the most liberal voting records on economic issues in the Senate; his pattern of voting on trade policy, however, points to a strong protectionist stance. The Michigan Democrat was among the first to argue for import restrictions on Japanese vehicles; he also attempted, without success, to push domestic content legislation through the Congress in the mid-1980s. Last spring his reservations about the impact of NAFTA led him to introduce legislation that would allow Congress to amend the proposed pact in five principal areas, including adjustment assistance for displaced workers and rules of origin.

Sen. Riegle also has voiced serious concerns about perceived inequalities between American and foreign banks operating in this country. Japanese banks, which have significant assets in the United States (see *JEI Report* No. 22A, June 8, 1990), are a key target of the Fair Trade in Financial Services Act that Mr. Riegle persistently has attempted to get through Congress. The Banking Committee chairman says that the intent of his bill is "to address the problem of discrimination by certain nations against U.S. financial service firms operating in those nations." The legislation, he adds, would give U.S. negotiators "new leverage in their talks with countries such as Japan, Korea and Taiwan to obtain national treatment in those markets for U.S. banks and securities firms."

Michigan Democrat Carl Levin is among Mr. Riegle's Senate allies in promoting ways to address the U.S.-Japan automotive trade deficit. Sen. Levin has displayed impatience with what he views as Japan's long history of discriminating against U.S. imports as well as the failure of successive administrations to resolve the problem. Citing European limits on Japanese automotive imports (see

JEI Report No. 30B, August 9, 1991), he has proposed placing similar restrictions on Japanese products entering this country. Early last year Sen. Levin reintroduced the Fair Trade and Export Expansion Act to extend a strengthened Super 301 provision through 1995. A provision in the measure requires Super 301 action on practices associated with a sectoral deficit contributing 5 percent or more toward a bilateral trade shortfall. Sen. Levin named this country's automotive parts trade shortfall with Japan as an area that would be subject to the provision.

In his capacity as chairman of the Committee on Governmental Affairs' subcommittee on oversight of government management, Mr. Levin initiated a series of hearings last summer to examine the effectiveness of key lobbying laws, including the Foreign Agents Registration Act. He is expected to introduce legislation this session to establish a unified lobbying disclosure law.

Sen. Levin's brother, Rep. Levin, is similarly active on Japan-related trade issues in the House. As a member of several caucuses that address trade matters and a cochair of the Auto Parts Task Force, Rep. Levin has a broad forum for discussing the trade problems that affect his district, which, before the latest redistricting, was described as forming a semicircle around Detroit. Rep. Levin introduced the companion measure to the Fair Trade and Export Expansion Act; last November he also joined Rep. Gephardt in introducing a separate measure to renew and strengthen the Super 301 provision. Political analysts say that redistricting in Michigan may make it tough for Rep. Levin to hang on to his congressional seat this November.

Outlook

This session Congress will be challenged to do a great deal in very little time. President Bush, in fact, set a March 20 deadline in his State of the Union address for action on his short-term economic recovery plan; even if met, that timetable would leave less than seven months to address other trade and economic agendas. Campaigns and conventions crowd legislators' schedules this year. The limited time they are in Washington will be taken up with complicated struggles over budget priorities and proposals for economic growth. Nevertheless, a variety of trade issues, including renewal of most-favored-nation status for China and this country's trade shortfall with Japan, are certain to receive a share of Capitol Hill's attention.

Lawmakers already have begun to introduce the first of perhaps many bills targeting Japan's trade practices this session. For most measures, however, the chances of passage by Congress are uncertain and the likelihood of enactment by the White House very slim. Nevertheless, the volume of the debate over U.S. trade relations with Japan may rise this session. Even Japan's most vocal critics on Capitol Hill recognize, however, that the United States and Japan have grown more interdependent. Moreover, trade measures that benefit some American industries may harm others. A poll of lawmakers conducted last fall by the *Mainichi Shimbun* and George Washington University's National Center for Communications Studies found that 87 percent believed it is "very important to the United States to maintain good relations with Japan."[16] This underlying congressional perception of the bilateral relationship would appear to bolster the prospects for one observer's prediction that U.S. Japan relations "will muddle through" this session on Capitol Hill.

For more information, contact **Margo Grimm.**

Notes

[1]David Rosenbaum, "Public In Poll Lambastes Lawmakers on Checks," *The New York Times*, October 10, 1991, p. A1, and Robin Toner, "Bad News for Bush as Poll Shows National Gloom," *The New York Times*, January 28, 1992, p. A1.

[2]Robin Toner, "Poll Shows Price Bush Pays for Tough Economic Times," *The New York Times*, January 10, 1992, p. A1.

[3]William Watts, "Domestic Issues Worry Americans," *The Japan Times*, January 7, 1992, p. 26.

[4]John Burgess, "Poll Finds Americans Want Government Role in Business," *The Washington Post*, November 19, 1991, p. B3.

[5]George White, "U.S. Public Wants to Get Tough on Trade," *The Japan Times*, September 15, 1991, p. 21.

[6]E.J. Dionne Jr. and Howard Kurtz, "Political Rivals Denounce Bush Trip as a Failure," *The Washington Post*, January 11, 1992, p. A1.

[7]Guy Gugliotta, "Democrats Seek Broader Trade Policy Debate," *The Washington Post*, January 26, 1992, p. A22.

[8]Comments by Stanley Roth, staff director, House Foreign Affairs Committee, Subcommittee on Asian and Pacific Affairs, in a panel discussion sponsored by the Japan-America Society of Washington and the Asia Society, Washington, D.C., January 27, 1992.

[9]Telephone interview with Samuel Gilston, editor and publisher of *Washington Tariff and Trade Letter*, January 21, 1992.

[10]"Baucus Letter on Uruguay Round," *Inside U.S. Trade*, January 17, 1992, p. 8.

[11]Gugliotta, *op. cit.*

[12]Roth, *op. cit.*

[13]Richard Whalen (ed.), *Trade Warriors: An Inside Look at Trade Activists in Congress — And How to Reach Them* (Washington, D.C.: Worldwide Information Resources, Ltd., 1986) p. 95.

[14]Richard J. Whalen and R. Christopher Whalen (eds.), *Trade Warriors: The Guide to the Politics of Trade and Foreign Investment* (Washington, D.C.: The Whalen Co., 1990), p. 94.

[15]*Ibid.*, p. 115.

[16]Kenichiro Nakajima, "Japanese Masochism is Passe," *Mainichi Shimbun* (Asia Foundation's Translation Service Center, TSC#1532), January 6, 1992.

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The views expressed in this report are those of the author and do not necessarily represent those of the Japan Economic Institute.

APPENDIX

Key Trade Legislators' Voting Records on Japan-Related Bills

Sen. Max S. Baucus (D, Mont.)

Elected 1978 **Seat up** 1994 **Election results** 68%

Relevant Committees and Caucuses	Agriculture, Nutrition, and Forestry Environment and Public Works Finance, Subcommittee on International Trade, chairman Small Business Congressional Competitiveness Caucus, cochair Senate Beef Caucus
Group ratings	CEI trade vote rating — 26% NJ Economics rating *Liberal* - 73% *Conservative* - 26% AFL-CIO rating — 75%
Votes on key Japan/trade related bills	1988 Omnibus Trade Bill Y 1989 FSX Plane Development/Disapproval Y 1989 FSX Plane Development/Restrictions Y

Sen. Donald W. Riegle (D, Mich.)

Elected 1976 **Seat up** 1994 **Election results** 60%

Relevant Committees and Caucuses	Banking, Housing and Urban Affairs, Chairman Budget Finance Northeast-Midwest Senate Coalition
Group ratings	CEI trade vote rating — 17% NJ Economics rating *Liberal* - 83% *Conservative* - 14% AFL-CIO rating — 94%
Votes on key Japan/trade related bills	1988 Omnibus Trade Bill Y 1989 FSX Plane Development/Disapproval Y 1989 FSX Plane Development/Restrictions Y

Sen. John C. Danforth (R, Mo.)

Elected 1976 **Seat up** 1994 **Election results** 68%

Relevant Committees and Caucuses	Commerce,Science and Transportation Finance Senate Republican Policy Committee
Group ratings	CEI trade vote rating — 50% NJ Economics rating *Liberal* - 35% *Conservative* - 63% AFL-CIO rating — 31%
Votes on key Japan/trade related bills	1988 Omnibus Trade Bill Y 1989 FSX Plane Development/Disapproval N 1989 FSX Plane Development/Restrictions Y

Sen. Carl Levin (D, Mich.)

Elected 1978 **Seat up** 1996 **Election results** 58%

Relevant Committees and Caucuses	Armed Services Governmental Affairs Small Business
Group ratings	CEI trade vote rating — 26% NJ Economics rating *Liberal* - 82% *Conservative* -16% AFL-CIO rating — 100%
Votes on key Japan/trade related bills	1988 Omnibus Trade Bill Y 1989 FSX Plane Development/Disapproval Y 1989 FSX Plane Development/Restrictions Y

APPENDIX

Rep. Richard Gephardt (D, Mo.)

Elected 1976 **Last election results** 57%

Relevant Committees and Caucuses	Budget	
Group ratings	CEI trade vote rating — 23% NJ Economics rating *Liberal* - 92% *Conservative* - 0% AFL-CIO rating — 82%	
Votes on key Japan/trade related bills	1988 Omnibus Trade Bill	*N*
	1989 FSX Plane Development/Passage	*Y*
	1990 Fiscal 1991 Defense Authorization/ U.S. Troops in Japan	*Y*
	1991 Disapproval of Fast-Track Procedures	*N*

Rep. John D. Dingell (D., Mich.)

Elected 1955 **Last election results** 67%

Relevant Committees and Caucuses	Energy and Commerce, chairman	
Group ratings	CEI trade vote rating — 12% NJ Economics rating *Liberal* - 87% *Conservative* - 0% AFL-CIO rating — 82%	
Votes on key Japan/trade related bills	1988 Omnibus Trade Bill	*Y*
	1989 FSX Plane Development/Passage	*Y*
	1990 Fiscal 1991 Defense Authorization/ U.S. Troops in Japan	*Y*
	1991 Disapproval of Fast-Track Procedures	*Y*

Key to Group Ratings

Competitive Enterprise Institute
Favors free enterprise.

National Journal
Indicates liberalism/conservatism of members relative to others in that chamber.

AFL-CIO
Compiled anually by the American Federation of Labor—Congress of Industrial Organizations. High percentage indicates extent to which member is considered pro-labor.

Rep. Sander M. Levin (D, Mich.)

Elected 1982 **Last election results** 68%

Relevant Committees and Caucuses	Ways and Means Congressional Competitiveness Caucus Northeast-Midwest Congressional Coalition Auto Parts Task Force, cochair Congressional Automotive Caucus Congressional Steel Caucus	
Group ratings	CEI trade vote rating — 6% NJ Economics rating *Liberal* - 78% *Conservative* - 22% AFL-CIO rating — 95%	
Votes on key Japan/trade related bills	1988 Omnibus Trade Bill	*Y*
	1989 FSX Plane Development/Passage	*Y*
	1990 Fiscal 1991 Defense Authorization/ U.S. Troops in Japan	*Y*
	1991 Disapproval of Fast-Track Procedures	*Y*

Key to Votes

1988 Omnibus Trade Bill
Vote for passage.

1989 FSX Plane Development/Disapproval
Vote to ban the proposed transfer to Japanese firms of design data to be used for joint development of modified fighter plane for Japanese use. A "nay" vote supported the president's position.

1989 FSX Plane Development/Restrictions
Amendment requiring restrictions on subsequent U.S.—Japan FSX production agreement. A "nay" vote supported the president's position.

1990 Fiscal 1991 Defense Authorization/ U.S. Troops in Japan
Amendment to withdraw 5,000 U.S. troops a year from Japan unless Tokyo pays all costs of stationing U.S. forces there.

1991 Disapproval of Fast-Track Procedures
Adoption of the resolution to disapprove the president's request to extend for two more years fast- track procedures. A "nay" vote supported the president's position.